THE BASELINE

Issue Brief

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Rushing the Farm Bill Before Baseline Shrinks

Introduction

Taxpayers' heads were left spinning after the rushed passage of the farm bill. The whirlwind process left little time for even comprehending, much less debating, the details of the package and its potential impact on the budget. Lawmakers did not even have comprehensive information on the cost of the bill because the Congressional Budget Office (CBO) was not able to provide a full evaluation of all the spending provisions in the legislation.

The incomplete budget math added insult to injury for taxpayers. Congress was already intent on rushing farm bill passage because the pool of available money for farm bill programs was set to shrink by $2.8 billion in 2019. The broken farm bill process highlights the fact that at least some of the blame for CBO's problems lies squarely at the feet of Congress.

Expiration of the Farm Bill

Early each year CBO develops a current-law baseline for farm programs based on a forecast of the economy and the supply and demand for the commodities. Farm bill legislation gets measured against this projection of spending under the law as currently written, and any spending above the baseline must be offset. Before Congress started work on the current reauthorization, they effectively inflated the baseline: the Bipartisan Budget Act of 2018, signed into law in February, included disaster relief for dairy and cotton producers, ensuring that these commodities would be in the baseline and would not have to compete for scarce resources.

Because Congress failed to reauthorize the farm bill earlier this year, many of the provisions of the previous 2014 farm bill expired at the end of the fiscal year on September 30, 2018, while others, such as the dairy support program, would have expired at the end of the calendar year. The budgetary impact of expiration of the farm bill varies, depending on how each program is funded. For example, crop insurance programs have permanent authorization so are not impacted. Discretionary spending programs can be extended via appropriations or a continuing resolution even if their authorizations expire. The Supplemental Nutrition Assistance Program (SNAP) is a mandatory program that is funded through appropriations acts, so it could also be continued after its authorizations run out.

Mandatory commodity support programs would revert to permanent law dating back to 1938 and 1949. This would end subsidies for many commodities added more recently, including soybeans, peanuts, wool, mohair, sugar beets, sugar cane, dry peas, lentils, and chickpeas. But administering the remaining commodity supports under permanent law would create distortions, putting taxpayers and consumers at risk. Commodity support prices would be based on an outdated index set over 100 years and adjusted for inflation to current dollars. This would lead to a massive distortion of prices and billions of dollars in higher spending.

Key Facts:

- **Lawmakers rushed to enact the farm bill during the lame duck session because the pot of available money for its programs was set to shrink by $2.8 billion in 2019.**
- **Because of the the rushed process, CBO did not have time to conduct a comprehensive cost estimate of the farm bill, and Congress had little time to consider the impact of the faulty budget math.**
- **Instead of using CBO's baseline as a guideline to help them budget responsibly, Congress gamed the process in order to squeeze out as many dollars from taxpayers as possible.**

These programs could have been extended through a simple authorization, which is what happened when the 2008 farm bill expired in 2012: A one-year extension was enacted that prevented the commodity programs from reverting to their permanent authority, though the mandatory programs without a baseline did not get funding.

However, many mandatory programs would be unable to carry out any new operations once their authorizations have run out. In May 2018, the Congressional Research Service listed 39 programs funded at a total of $2.8 billion that would not have a baseline after 2018. These programs include conservation ($455 million), energy ($444 million), and research ($400 million).

This is significant because if these programs were allowed to expire, it would have shrunk the scoring baseline by $2.8 billion. This smaller budgetary pie was the primary impetus for Congress rushing through the farm bill during this lame duck session; the pot of money drops by several billion dollars the moment the clock strikes midnight on January 1, 2019.

Rushed Process

The Senate ended up voting on passage a week earlier than previously expected. This rushed process left Senators with no time to consider its fiscal impact as it proceeded to vote on legislation. As Daren Bakst of the Heritage Foundation observed, the Senate passed the bill "even though the cost of the bill wasn't released before the vote (give or take a few minutes)."

When CBO did finally release its analysis, it estimated that the bill would cost $428.3 billion over five years ($1.8 billion more than CBO's April baseline) and $867.3 billion over the next decade. However, the total cost of the bill was unknown: CBO did not have time to estimate "the additional discretionary spending that would result from implementing [the farm bill conference report]."

The House took up the measure the very next day, giving Members less than one day to consider the implications of the faulty budget math. That's a big gamble to take with taxpayer dollars, particularly as CBO reported on Monday that the federal budget deficit was $303 billion for the first two months of FY 2019.

The farm bill conference agreement left out many of the reforms that were included in an earlier version of the bill that passed the House, including a cap on commodity payments to high income farmers and tighter work-requirements on beneficiaries of SNAP. The conference agreement also retained a loophole allowing farm subsidies to flow to non-farmers, and even dramatically expanded it by adding cousins, nephews, nieces, and their spouses to the pool of eligible recipients.

Conclusion

The budget math for farm bills is typically precarious. CBO's long-term estimates miss the mark due to market fluctuations and the unpredictability of natural disasters such as droughts or floods. By first inflating the farm bill's baseline early in the year and later rushing to pass it before its baseline would shrink in 2019, it is apparent that Members subverted the original purpose of the budget analysis performed by CBO. Instead of using it as a guideline to help them budget responsibly, Congress gamed the process in order to squeeze out as many dollars from taxpayers as possible.

While much work needs to be done to improve CBO, the farm bill is proof that Congress and its perverted policymaking process needs just as much fixing.

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